

**Remarks of Division of Gaming Enforcement Director Thomas
N. Auriemma at the Public Hearing before the Senate
Wagering, Tourism and Historic Preservation Committee**

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The Importance of Electronic Gaming Devices to the New Jersey Casino Industry

I. Introduction

Madam Chair and Members of the Committee

As a representative of the Attorney General of New Jersey and Director of the Division of Gaming Enforcement, I thank you for the opportunity to appear before you today to address significant technology issues facing the New Jersey casino industry. It is fair to say that new technology applications which impact on the casino industry are appearing at a rate exponentially faster than when this industry was introduced to New Jersey almost 30 years ago. As regulators, we must meet the challenges posed by these technological advances to ensure that New Jersey's casino industry is able to do several things: adapt to changing technology; remain competitive with emerging jurisdictions; and still retain the strict integrity standards that have been the hallmark of New Jersey's casino industry since its inception.

Let me therefore summarize both the significant technological advances which have already been implemented as well as those issues which I believe represent the next challenges we, as regulators, must address.

II. The Importance of Electronic Gaming Devices to the New Jersey Casino Industry

When casino gaming was first introduced to New Jersey with the opening of Resorts International on Memorial Day weekend in 1978, slot machines could by law make up no more than 30% of casino floor space. Changes to the Casino Control Act and to its implementing regulations now allow slot machines to fill up to 90% of a casino's gaming space. Slot machines now account for more than 73% of casino gaming revenue.

The Division's slot lab has always been mandated to ensure the integrity of slot machines offered for play to patrons of New Jersey's casinos. The lab tests and evaluates hundreds of submissions annually to ensure their integrity. For each of the past two years, nearly 1,000 submissions were made to the lab. These include prototypes of new machines, main programs which run the machines, personality programs which make up the individual games, and other gaming-related submissions such as progressive controllers, voucher systems, and slot monitoring systems. In addition, products such as redemption kiosks and bill validators are also tested and reviewed by

the lab.

In order to meet the ever-growing challenge of ensuring the integrity of these electronic gaming devices, I have dramatically increased staffing at the lab. Building on a process begun under my predecessor, whom I served as Deputy Director, the submission process was changed to ensure that products were reviewed efficiently and expeditiously. I was then able to increase the number of engineers from 4 to 14 and the number of statisticians from 1 to 3. In addition, I assigned a Deputy Attorney General to service the legal needs of the lab on a full-time basis. Finally, I moved the Division's gaming equipment specialists, the technicians who actually inspect the individual machines before they are put up for play, into each casino. This step provided the industry with a more efficient and flexible process to get new machines up and running. It was because of these steps that the average time to approve a new slot machine game theme has been cut to less than 30 days.

It was also because of these changes to the slot lab that the Borgata Casino, Hotel & Spa was able to open in July 2003 as a 100% ticket system casino, and that other casinos were also able to offer ticketed gaming to compete with Borgata. The Atlantic City casino market is now virtually 100% ticketed, with only a few older games which cannot support the new technology still using coins. Other new technology which has been approved and implemented includes gaming voucher redemption machines, which allow customers to cash in their tickets without waiting in line at the casino cage, and non-cashable electronic credits, which allow casinos to have greater flexibility with and control over their promotional giveaways.

In addition, regulatory changes have allowed casinos to offer new slot machine games with a greater variety of bonus features, including one feature which makes use of a second screen on the slot machine to allow customers to win promotional dollars given away by the casino.

III Future Technological Changes

The industry has undergone monumental changes to the electronic games offered to patrons in the past five years. I believe even greater changes will be made in the next two years. First and foremost is the advent of downloadable slot machines. This will completely automate the process of changing slot machine configurations, including the games being offered. Rather than having to open each machine individually and manually change it, a process that can take several hours depending on the scope of the changes, the process could be completed in minutes. The automation of the process will also allow even greater monitoring of the slot floor by regulators, who will have electronic monitoring tools not previously available. Not only will games be changed from a central server located within the casino, but the Division's engineers will be able to audit software changes and have electronic monitoring capabilities, which will greatly enhance our assurance of each game's integrity. The current process of auditing individual machines will be fully automated by the addition of downloadable technology.

The regulations to implement this new technology are currently being drafted by New Jersey

regulators. To this end, the Division has met with representatives of the Nevada Gaming Control Board as well as with industry representatives from both the casino operators and the slot manufacturers. We have met with regulators from Europe, where downloadable systems are currently in use, and we have observed the workings of these systems in European and Native American casinos. The Division's slot lab is therefore confident that it is fully prepared to test downloadable systems and ensure their integrity. I am confident that the first New Jersey test of a downloadable system is only months away.

Other changes on the horizon include the proposed use of wireless hand-held devices for gaming activity. These devices, similar to the ubiquitous Game Boy hand-held systems, would allow wagering from locations on casino grounds such as restaurants, swimming pools, or private rooms, if permitted. Nevada has already promulgated regulations to authorize such devices, and it is anticipated that these regulations will become final in the near future.

Several issues need to be addressed before these devices could be used in New Jersey. First, strict controls to prevent underage gaming would have to be built in to any approval. In addition, the Casino Control Act would need to be amended if these devices are to be used for gaming activity from a location other than a casino floor. Finally, these devices would have to undergo testing by the Division's lab to ensure that any games played thereon were in compliance with the Commission's regulations when ultimately adopted.

There are other products which will change casino gaming as it currently exists. So-called smart chips and smart tables will allow casinos to track table game players in real time the way slot players who participate in marketing programs are currently monitored. These chips, which use Radio Frequency Identification Devices and are referred to as RFIDs, will also help eliminate counterfeiting. New technology will also allow players to "buy" gaming vouchers at the cage, eliminating the necessity for premium players to feed large amounts of bills into a machine. Players who receive non-cashable marketing credits may soon be able to receive a non-cashable voucher which will allow them greater flexibility in changing machines to play such promotional credits. Electronic credits may soon be able to be uploaded back onto a player's account, eliminating the need to cash out if a player prefers to leave his credits on his account until his next gaming trip. All these technological advances should be submitted to the slot lab in the near future.

IV. Conclusion

I am fully confident that the Division's slot lab will be able to expeditiously and efficiently test such products. The Division stands ready to continue, as it has since gaming's inception in New Jersey, to assure the public that electronic gaming systems and machines available in Atlantic City have been tested and have met the strictest integrity standards. Technology has become a driving force of the casino industry, and the Division is prepared to continue to ensure the public that the games offered in New Jersey casinos are well-regulated and fair.

I thank you for the opportunity to offer the views of the Division of Gaming Enforcement on these important issues regarding the future of electronic gaming in New Jersey.